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**PACE Energy Program**

The Property Assessed Clean Energy (PACE) program is a new pilot program that seeks to help property owners invest in energy efficiency and renewable energy for their home or business. A major hurdle to individuals investing in such energy projects for their properties is the lack of the necessary upfront capital to start and finish major energy improvements. The PACE program is voluntary and allows individuals that wish to participate to be placed in a special tax assessment district created by their municipality. This tax assessment district helps them to secure an energy improvement loan for their household. Loans given to property owners for energy improvements are funded by taxable municipal bonds, and are to be repaid incrementally by a special assessment on the property taxes of a residence. The loan repayments are low and fixed and the loan is gradually paid off over 20 years. If a property is sold, the loan repayment and energy improvements stay with the property and are transferred to the new owner.<sup>1</sup>

The PACE energy program is a viable alternative to finance energy improvements for a household that may not qualify for low income weatherization programs. Such households may not have

### **Berkeley's FIRST Program**

The municipality of Berkeley, California was first to implement a solar financing pilot program called the FIRST Program in 2008 designed to help its citizens invest in solar panels for their homes. Funding for the projects came from the city's Sustainable Energy Financing District with the cost being repaid through a special tax on the property and will be repaid over twenty years. The minimum cost to finance a project was \$5,000 with the maximum cost of \$37,500. The Berkeley program also spawned California law AB811, which allows loan programs to pay back the cost of renewable energy systems. The FIRST program also received an additional \$1.5 million in additional external funding over its course, and has been used as a model for similar programs now active throughout the state.<sup>4</sup>

Twenty one other states have enacted similar programs since the inception of California's pilot program. These states include: Colorado, Florida, Indiana, Illinois, Louisiana, Maine, Maryland, Minnesota, Missouri, Nevada, New Hampshire, New Mexico, New York, North Carolina, Ohio, Oklahoma, Oregon, Texas, Vermont, Virginia, and Wisconsin. In most states, legislation was adopted in 2009. Among the municipalities that have implemented PACE programs include the city of Berkeley and Sonoma County in California, Boulder County, Colorado, and the town of Babylon, New York.<sup>5</sup>

### **Boulder County's ClimateSmart Program**

Boulder County, Colorado was one of the first municipalities to enact the PACE program now seen across the country. In the 2008 General Election Boulder County voters approved Ballot Measure 1A, which established a "Clean Energy Options Local Improvement District" and gave permission to Boulder County to issue up to a maximum of \$40 million in special assessment bonds for this local improvement district. The ClimateSmart Loan Program is Boulder County's program to administer the loans made possible through this special district.<sup>6</sup>

### **Long Island Green Homes Initiative**

Babylon, NY

finance renewable and energy



homeowners would receive anywhere from \$250 \$4,000 in incentives for adopting energy efficient practices. In the Gold Star Program, energy usage would be measured prior to retrofitting and subsequently after retrofitting is completed. The homeowner then would receive \$3,500 for a 20% reduction in emissions as well as an additional \$1,500 for each 5% reduction above the initial 20%. In both the Gold and Silver Star programs, incentives would not exceed 50% of the homeowner's contribution. The second type of additional incentive is industry incentives. These incentives would include funding and tax breaks for retailers and producers of the retrofitting industry. The last type of incentive is consumer financing, which includes low cost financing for entry into the program.<sup>11</sup>

On May 6<sup>th</sup>, 2010 the US House of Representatives passed the Home star energy act. It was received by the Senate on May 7<sup>th</sup>, 2010 where it was read twice and referred to the Senate Committee on Finance. The bill has not yet passed the Senate or become law.<sup>12</sup>

### Conclusion

This report has outlined Property Assessed Clean Energy programs since their inception from municipal pilot programs. Programs in Babylon, New York and Berkeley, California initiated the model in which legislation for PACE programs in 22 states are based on.

- Programs are voluntary and approved by voters in a specific municipality.
- Special tax districts are created to assess additional property taxes by which loans are repaid.
- Loans are funded through taxable municipal bonds.
- Loans repayments are low and fixed, and to be repaid over a period of twenty years.
- If the property is sold, improvements and the extra tax assessment stay with the property.
- The FIRST Program in Berkeley, California was the first municipality to explore the creation of a special tax district and loan program.

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Disclaimer: This report has been compiled by undergraduate students at the University of Vermont under the supervision of Professor Anthony Gierzynski. The material contained in the report does not reflect the official policy of the University of Vermont.